

Issue 186 March 6, 2006



INFLUENCE: Getting it Using it

We all know that architects and designers wield a lot of influence on the shape of costs and options throughout the lifecycle because they are right at the beginning, but there is another period of time in which the asset manager – indeed anyone, including cranks and crackpots – can wield significantly more influence.

See “A window of opportunity” on page 34

Our existing window of opportunity may be very short indeed, so we look at how we may expand this time when we have a chance to use our expertise to improve the asset decisions taken.

“Expanding the window of opportunity, page 35

In 1996, conscious of the fact that much money was being given for asset management but little data was being kept on how successfully the money had been spent, I launched the *International Asset Management Competitions* to recognise good work

in asset management and to provide the asset management community with good examples that they could use to support their case. In 2000 I had to undergo surgery with an extensive lay-off time and the competitions were brought to a close. But they had done their job! In those few years we were able to create an enormous groundswell of support for, and interest in, asset management.

Now the need is for creative and innovative work in renewal, addressing public values. Can we again create a reservoir of knowledge? ACORN Inc., together with AMQ International is prepared to give it a try. Are you?

See page 36

And to improve Strategic Planning, consider “The Linearity Trap”, p 38 and our new ‘What’s the Big Idea’ issue, *Climate change*, on p.40.

Enjoy!

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A Window of Opportunity

This is the period of time between the recognition that *something needs to be done* and deciding *what that something is*.

This is the period of time between the recognition that *something needs to be done* and deciding *what that something is*. It can be very short! A school bus crashes and there is a media demand for seatbelts. The media is very good with the 'instant solution' but, then, so are we all. We think in terms of solutions rather than in terms of issues to be solved and, in this way, we close of our minds to many options far too soon. An asset has exceeded its economic life, ergo it needs to be replaced! We cannot cope with existing demand, hence we must build more capacity!

As asset managers we know that it is before we have settled on a solution that the most opportunities are open to us. Once we have decided that we need a new asset, the only options really are what kind of asset and how are we going to fund it. By the time we are drawing up the design parameters, although construction has not even started, we have already largely determined the shape of costs to come.

If a fairy godmother were to offer three wishes, would we impatiently say, 'that will take too long, just give me one?'

Yet we routinely close off our options at an early stage.

How can we avoid closing off our options too soon?

What can we do instead? Take the school bus. What is the real issue here? What is the public value that we wish to address? The safety of school children, isn't it? How else might this be addressed? Improving the handling qualities of school buses? Improving the roads? Better driver training? Better behaviour of the school children themselves? And... Actually, there are many options once we focus on the issue, the public value being addressed, rather than the first solution that comes to mind.

The classroom is hot and stuffy, the teacher sees the problem and the solution as a 'package deal' - the need for an air conditioner in the window. But is it? Is not the real issue one of providing good working and learning conditions? Perhaps these can be better obtained by shading the sunwall, extra insulation, better ventilation, or ...

In order to be able to take advantage of the full range of options available, we need to 'widen our window of opportunity', we need to slow down the rush to premature solutions. When the media clamours for a particular solution, the natural reaction on the part of councillors or decision makers should be, 'that is one of a number of options that we are considering'.

And then we, as asset managers, need to be able to come up with a wider range of options. How can we get this 'period of contemplation' and how can we make the most of our opportunity to influence?

We need *to think* in terms of the public values that we are addressing, rather than in terms of the solutions we are providing.

The first answer is that, as asset managers, we need *to think* in terms of the public values that we are addressing, rather than in terms of the solutions we are providing. *And we need to encourage our decision makers and the community to do the same.*

And then we need to be able to come up with a range of innovative new ideas where previously only one was available. Ideas that can be shown to address the public value or issue more surely, with benefits for others and less environmental damage or negative impact, and at lower overall cost to the community.

We can address the first by routinely defining all of our projects in terms of the public values they address and presenting them in this way to decision makers. When they request action on a predetermined solution, re-cast it in terms of the problem, or desired public value, and open up the discussion.

We can address the second by having at our fingertips knowledge of various innovative ways in which others have addressed the problem.

How to have the ideas you need at your fingertips

**Announcing A Database of
Innovative Ideas in Renewal and Adaptation—
searchable by the public values that are served**

In the last issue, we spoke about public values, what they were and how we need to focus on them if we are to address all the issues that are coming up now as infrastructure ages and we considered the need to change the way we spoke about issues in order to open up the opportunities for action.

You will recall that we argued that

“The last half of the 20th Century was an age of major construction in developed countries around the world. It was also a time of expanding government revenues, improvements in services, increasing personal incomes and growth in labour markets.

The first half of the 21st Century will be an age of major renewal but without the income and labour force benefits. It could also be a time where the service standards made possible by our forbears are threatened by rising costs, a time of major disruption to services and community welfare and difficulties for heritage, environmental and social management. To deal with these issues we will need to be more than usually creative.”

To make this work, **ACORN inc**, together with **AMQ International**, and in co-operation with government organisations, private industry and professional associations, has agreed that

We start now to recognise innovative renewal projects

and to record the nature of the innovations in a way that they can be adopted and adapted by others. To this end we are developing a framework for a database in

INNOVATIONS IN RENEWAL - CREATING PUBLIC VALUE

We recognise that if we focus on *the way we do things* we can make some improvements but for *real* gains we need to focus on *WHY we do them*. Thus the database seeks examples of supporting public values through renewal, extension of life, adaptation, and/or greater utilisation.

In the last issue of SAM we identified the following public values that we believed to be rather universally held, but we are open to others:

- Universal access to services
- Affordability
- Reliability and minimal disruption
- Safety
- Financial Sustainability
- Environmental Sustainability
- Heritage conservation and the importance of our history
- Community welfare
- Inclusiveness in decision-making
- Equitable distribution of costs and benefits
- Protection of the weak

And we identified the following possible areas of application, but again there may be others

- construction
- technology and design
- heritage conservation
- social and cultural enhancement
- environmental sustainability
- space utilisation
- planning and community involvement
- techniques to reduce disruption of services or inconvenience to the public
- finance
- Adapting renewal of old assets to suit the changing demands and requirements of the future.

A searchable database describing the innovations and linked to a brief description of the project concerned would be one way in which we could start to address the challenges now facing us.

Demonstrate your organisation's or company's flair for innovation

Your innovative solutions can feature in this database
and you don't even have to write them!

We are now collecting examples of innovative practice.

Just email nut@acorninc.org or penny@amqi.com with your project, what public values it is addressing, and the nature of the innovation – and give us a contact number and **we will interview your contact and write up the project for you!**

Current and older projects are equally acceptable.

The database will be maintained on the ACORN Inc Website at www.acorninc.org and available for all asset managers and their communities.

Examples

A rural town saw that on a Saturday night its people would desert the town for newer drinking spots in neighbouring towns. This created a number of problems, including preserving community identity and safety on their roads. They considered building a new community centre of their own but they could not afford it. So the council held a town meeting. This resulted in a wide veranda being built around the existing centre, more than doubling capacity, providing room for numerous gatherings, and retaining the country look and feel that the people valued.

The *International Asset Management Competitions (1996-2000)* provided many examples of innovative renewal ideas. Amongst them were:

- The company that found a way to provide a secure above ground sewer bypass when repairing/renewing sewer mains, thus reducing the disruption to the public.
- The government department that found a way to address public and worker safety and amenity issues without resort to demolishing and rebuilding its ageing asset stock.
- The water company that, in updating its asset records, found a way to let the public utilise its database, making it possible for plumbers to save hours of travelling each day thus reducing their costs and enabling faster attention to customer needs.
- The council that, recognising the value that the public placed on its street trees, applied asset management principles to preserve and enhance its tree lined streets, parks and gardens.

Be part of this innovative new database. Enable your organisation to shine for its originality and care for public values.

Write now

Beware the Linearity Trap

“We are not clairvoyant; we cannot foresee what prices might be in the future, so the best we can do is to assume they will be as they are now.”

So wrote the analysts for a dam proposal in Tasmania. The prices referred to were for dairy products.

At first blush this statement may seem to be quite reasonable. After all, who can tell the future? Yet, when I tell you that at the time of the analysis, Chernobyl was a recent memory and Europe was reeling from fears of radiation fallout leading it to look far afield for dairy products that were not only ‘clean and green’ but, more especially, ‘safe’, you will not be surprised that Tasmanian dairy product prices were at an all time high.

What was the prospect that these very high prices could be maintained for even the five years it would take to construct the dam, let alone the twenty or so years it would take to recoup the costs?

In the event, of course, prices did not remain this high. But the point is we *could* foresee that they would not – *once we understood what was driving them*.

Assuming a constant *value* is the ultimate linearity trap – it assumes change is a horizontal straight line. However, we are not much better off, if we assume a constant *trend*, extrapolating from the recent past. This is true for the oil price issue we discussed earlier in the year and true for every trend from demand change to population change to climate change.

In the late 1980s I was on call to the CSIRO to ‘project the future issues in asset management ten years out’. They needed this information to prepare their research agendas and to develop, test and market the tools that could assist. I found that I did a pretty good job in predicting the issues. But I did a *really bad job* in predicting the timing! The mistake that I made is one that is very common. I based my timing assessments on straight line trend analysis.

Trends don’t go in straight lines.

They only appear to if we measure at only two points!

Had I been more ‘with it’ at the time I would have realised that trends do not go in straight lines (they only appear to if we are measuring over a short period of time and then only at two points!).

Trends actually speed up or slow down – *and for reasons that can be examined and understood*. Or they hit a wall or they are acted upon by another force.

What we need to do is to examine the *drivers of the trends*, what is causing them to do what they seem to be doing. Taking a ‘chartist’ approach to trends – ie taking a simple-minded look at what has happened and assuming that it will continue to happen – may give you some pretty neat graphs and some strong recommendations to decision makers, *but it won’t give you or them any understanding*.

Are we at danger of losing relevance? (Has it already happened?)

Too ready acceptance of computer generated model outputs, without being able to account for the outputs in common language, may be one of the reasons why the Asset Manager is not a member of the key executive team.

If you want to have business relevance then you need to have good quality 'business' information. In other words you need to be able to understand – and explain – the trends that are affecting the demand, supply, use, capacity, functionality, relevance and the *ability of your existing asset portfolio to meet future business needs*. Simple assumptions about constant values and constant trends won't do it.

An exercise in being relevant

If you have recently (within the last 2-3 years) reviewed any proposal that involved energy savings or alternate renewable energy sources and it did not stack up financially, revisit it and address the following three questions:

- What would the price of oil have to be *now* for the project to be viable?
- What would the simple price trend (ie linear) have to be *now* for the project to be viable?
- What would the rate of increase in the trend line have to be *now* for the project to be viable?

(for the latter question if the trend now seems to be that prices are increasing, say, 5% a year, what rate of acceleration would project viable. For example, if the growth rate were to accelerate by 10%, - which would result in prices growing at 5% this year and 5.5% next year and 6.05% the year after. What if the growth rate were to change by 20% a year?)

Once you have your baseline figures, watch! Watch what is happening to oil prices and what may cause them to increase or decrease. Then you will be ready to take your project back for reconsideration if the situation changes.

A second exercise—Brainstorming

Some issues will require the input of a number of people. Here is an exercise that is a worthwhile exercise for everyone to tackle, whether local or state government or private company.

How will population change impact your business?

Sub-questions include:

What do you expect the rate of population change to be over the next 5, 10, 30, plus years?

How sure are you that the rate you have selected is right?

(what is the percentage chance you are right?)

(what is the percentage chance it will be too low? Too high?)

(What evidence are you drawing upon for your assessments?)

To be continued.

CLIMATE CHANGE

"2005 was the warmest year in the history of Australia and the second warmest year in the history of the Earth since records were kept. Ten of the Earth's 11 warmest years have occurred since 1990."

All the really big ideas seem to be connected—oil prices and security with greenhouse gases and climate change; and these

The words are those of Robert Manne in the February 2006 Issue of "The Monthly". (pp 12-15). He continues:

"The European summer of 2003 was so hot that, according to the statisticians it was a one in 44, 000 chance. Since the mid-1990s ferocious hurricanes, whose intensity is directly linked to the temperature of the sea, have occurred with an unaccustomed regularity in the Gulf of Mexico.... In the summer of 2002, the Artic and Greenland ice sheets shrank by one million square kilometres.... You may regard all this a coincidence. Despite my naturally sceptical temperament, I do not."

The overwhelming proportion of scientists studying climate change now agrees with him.

Whether we can change this situation, even if we were trying – and we aren't! - is rather doubtful. But given the consequences two things seem reasonably sure:

1. The consequences are so severe it is really worth trying, and
2. since we have now left it so late, it is *really, really*, worth planning for the consequences!

How does this relate to our earlier "What's the Big Idea" discussion on rising oil prices?

Recently I wrote to Graham Holland, Asset Manager of British Waterways, with whom regular readers will be very familiar. I figured that if anyone was doing anything about rising oil prices, he would. His response was that they had not yet moved on oil prices, *as such*, but that their Energy Reduction Campaign, which they started in 2004 to support environmental sustainability, was helping them to cope not only with increased prices but growing scarcities and insecurity of supply of both oil and gas.

British Waterways is moving to reduce their impact on climate change – in line with the UK Kyoto commitment – AND planning to cope with those climate change impacts that now seem inevitable.

It is relatively rare that doing the 'right thing' squares with doing the 'economic thing', but reducing your energy demand could well be one of these rare combinations.

In future issues, we will be bringing you ideas from British Waterways and others who are moving in these directions.

Does your organisation have a commitment to energy reduction? If so, what are you doing to support it? If not, how could you encourage action? Please share your ideas with us, send them to penny@amqi.com